Meeting housing costs in Wales

Overview

This paper highlights the findings of a survey[1] jointly commissioned by Citizens Advice Cymru and Shelter Cymru last summer to establish the extent people in Wales are managing to meet housing costs in the current financial climate.

It also examines people's use of payday loans across Wales to help meet living expenses.

Key Findings

- Nearly half (49 per cent) of Welsh adults who pay rent or a mortgage struggle at least some of the time to keep up with payments or they are falling behind. One in eight (12 per cent) struggle constantly.

- 28 per cent of working adults do not have sufficient savings or insurance protection products to enable them to continue to make housing payments for more than **1 month** if they were to lose their source of income. One in six (17 per cent) would not be able to afford their rent or mortgage at all.

- 6 per cent of Welsh adults have either considered taking out or have taken out a payday loan to help meet living expenses.

- One in six (17 per cent) 18-24 year olds in Wales have at least considered using payday loans, with just over one in ten young people (11 per cent) having taken out a payday loan in the last year.

- Two-fifths of Welsh adults (40 per cent) feel less or much less secure about their personal source of income compared with the same time the previous year (i.e. July 2012).

[1] Survey carried out by YouGov PLC, full details at end of Briefing.

Background

Households across Wales are coming under increasing pressure to manage their finances including maintaining expenditure on essential living costs such as housing. The current economic climate and worries over what the future holds, including concern about job security, on-going changes to welfare benefits, and increases in the general cost of living, is causing difficulties for many.

Findings from the National Survey for Wales shows that 52 per cent of people are either struggling to keep up with bills and financial commitments or are in financial difficulties[2].

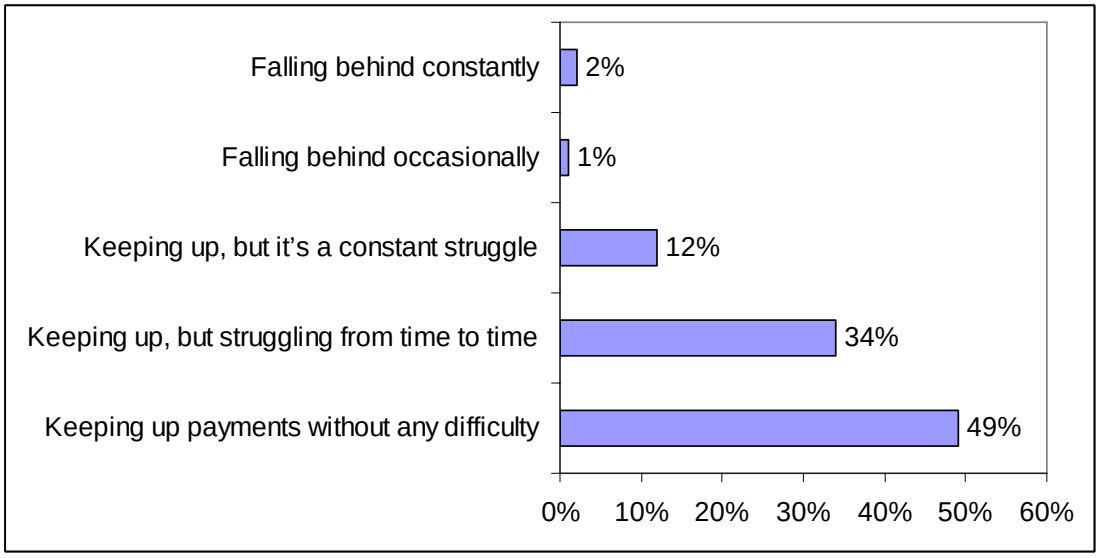
Paying for rent or a mortgage

People across Wales live in a range of housing situations. Some are able to own their property (with or without a mortgage), while others may choose to rent or renting is their only option. Around a third of respondents who took part in our survey (32 per cent) own their property outright, a further third (34 per cent) currently have a mortgage on their property, while over one in five (22 per cent) are renting from a social or private landlord.

Regardless of their situation having a warm, secure home is the most important thing and a key contributor to people's overall health and well-being. Therefore for those who are paying a mortgage or rent being able to keep up with those payments is critical.

Figure 1.1 shows of those households who are paying rent or mortgage payments 49 per cent are able to keep up with their rent or mortgage payments without any difficulty. However the same proportion (49 per cent) are having difficulties in doing so.

Figure 1.1: Ability of households to keep up with housing payments

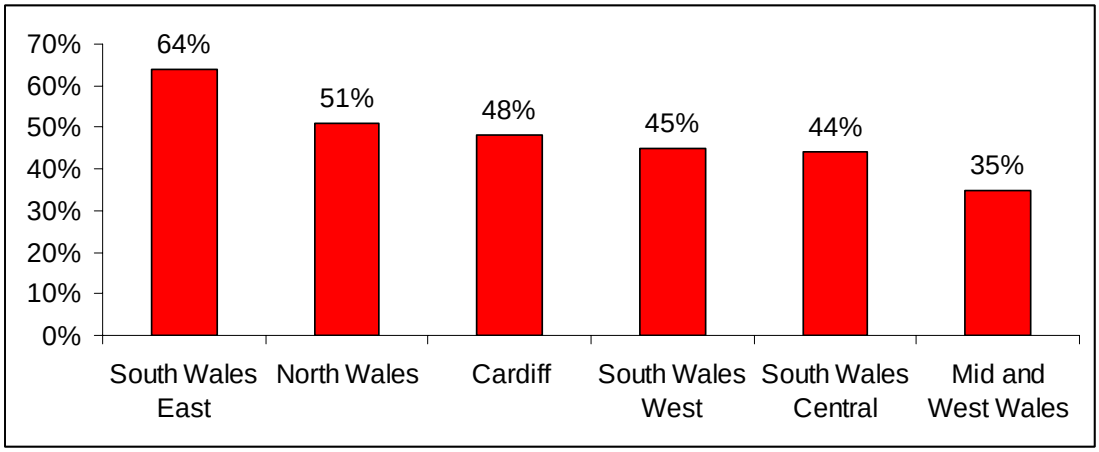


Source: Citizens Advice Cymru/Shelter Cymru Base: 567

[2] https://statswales.wales.gov.uk/Catalogue/National-Survey-for-Wales/2012-13

There is some regional variation of those who struggle at least some of the time or who have fallen behind with payments with South East Wales recording the highest incidence of concern at 64 per cent – see figure 1.2. Cardiff and the Vale of Glamorgan in particular have some of the highest housing costs in Wales therefore this finding is not surprising[3].

Figure 1.2: Proportion of households struggling to keep up with housing payments/falling behind by region



Source: Citizens Advice Cymru/Shelter Cymru Base: 567

Young people and those in the middle age bands (45-54 yrs) are more likely to say they are struggling or falling behind with their housing costs (52 per cent and 59 per cent respectively), as are people with children in the household (54 per cent).

Higher proportions of rent payers (whether they have a social or private landlord) are also having difficulties making housing payments compared to mortgage payers.

The sample size does not allow for separate analysis of social housing tenants however changes to housing benefit entitlements for working-age adults from April 2013, most notably the under occupancy rules (also known as the removal of the spare room subsidy or 'bedroom tax'), mean that many social tenants are having increasing problems in paying their rent. Other evidence shows these restrictions are having a disproportionate impact in Wales[4]. Just over a fifth of all social housing tenants in Wales (21 per cent) have been affected by these rules compared to only 16 per cent of social housing tenants across Great Britain. The figures show 33,876 people are facing a reduction in their housing benefit due to the changes. This is 6.5 per cent of all those affected by the measure across Great Britain (GB) when Wales's share of the GB population is only 5 per cent.

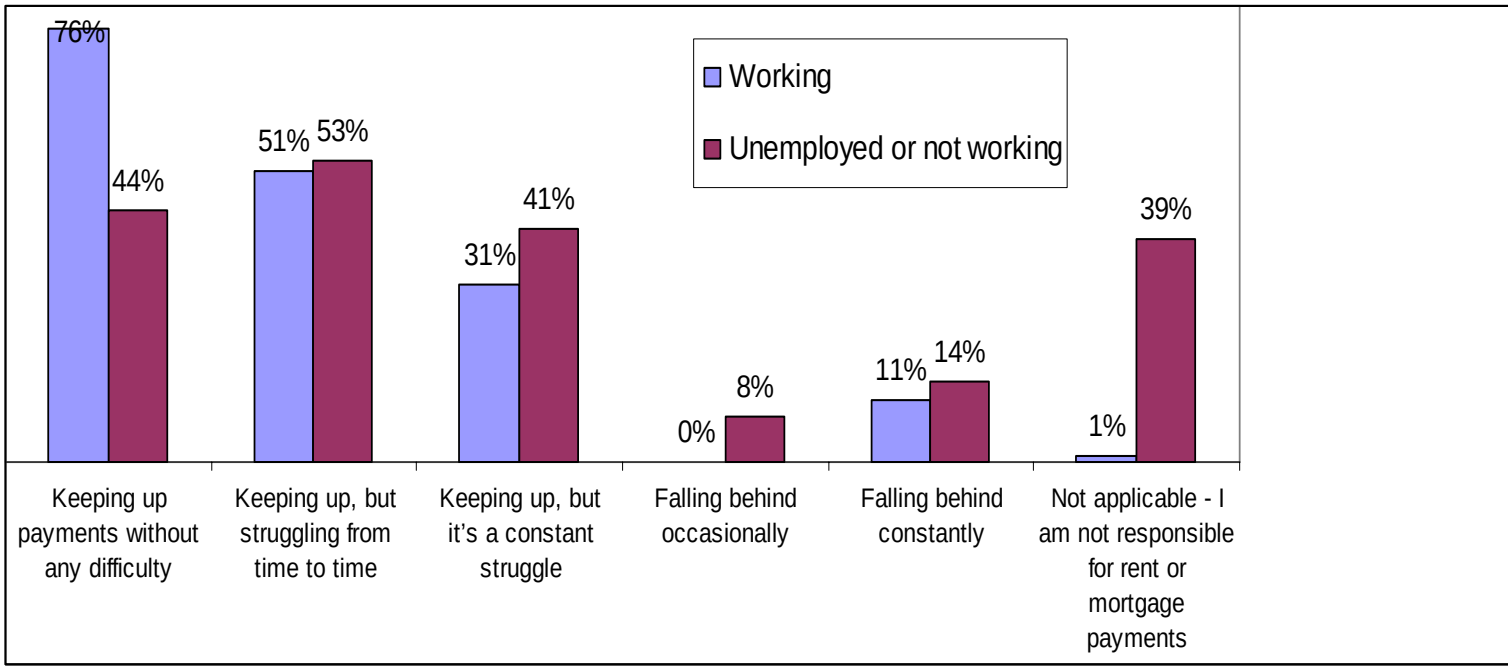
Our figures highlight the daily battle many people in Wales face to keep a roof over their head. There are likely to be multiple and variable reasons for this. Whilst for many it may be as a result of general economic pressures or living on a low income, for others it could be a result of poor financial literacy skills or having to deal with unmanageable debt.

[3] http://wales.gov.uk/topics/housing-and-regeneration/welfare-reform/rentofficers/publications/lha13/?lang=en
[4] http://assemblyinbrief.wordpress.com/2013/12/04/figures-on-the-impact-of-housing-benefit-social-housing-size-criteria-available-for-the-first-time/

When people were asked how much more or less secure they feel about their personal source of income compared with the same time the previous year (i.e. July 2012), 40 per cent stated they feel less or much less secure now.

Not surprisingly more people currently not in work feel more insecure about their personal source of income than those in work. On-going and future changes to welfare reform including changes to housing benefit for social housing tenants, reform of working age benefits and council tax support will only add to this feeling of financial insecurity.

Figure 1.3: Ability to keep up with housing payments by work status



Source: Citizens Advice Cymru/Shelter Cymru Base: 449

Not included in figure 1.3 are the rates for those who are retired. These figures showed that 39 per cent of retired people were struggling with housing payments, with 26 per cent stating that they were struggling from time to time and 13 per cent stating that they were keeping up but it's a constant struggle.

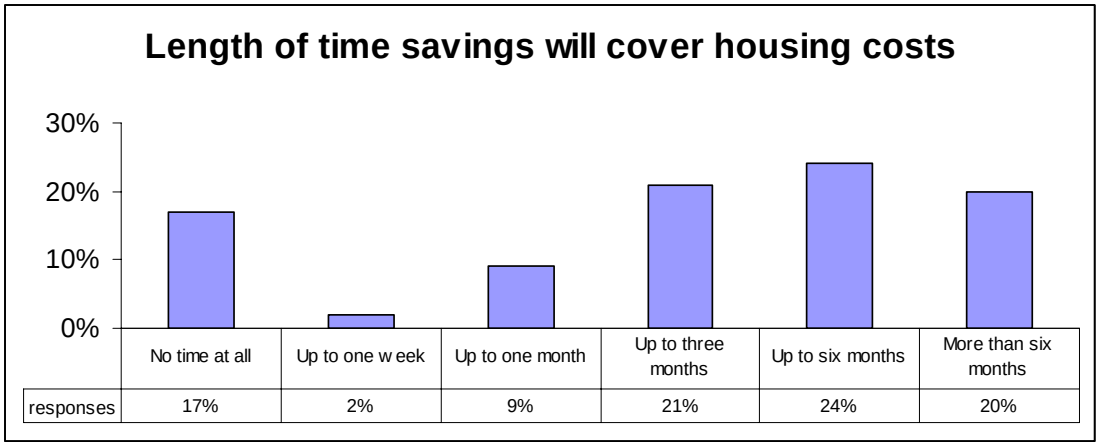
Savings and ability to cope with financial shocks

Having a financial safety net, such as savings or insurance protection products, can help people cope with any unforeseen expenses or drop in their income. During such difficult economic times it can be especially hard for people to save or afford insurance for something which may or may not happen.

As part of our research all people who are currently working were asked for how long, if at all, they would be able to afford to pay your rent or mortgage if they were to lose their job within the next month.

The findings are deeply worrying. Over a quarter (28 per cent) would not be able to afford payments after just one month, while one in six (17 per cent) would not be able to afford payments at all. These findings support those of a recent Legal and General report[5] which found across the UK 37 per cent of all households have no savings. The report also showed that people in Wales have the lowest level of savings across the regions with a median of only £520, and are on average only 15 days away from the breadline.

Figure 2: Length of time savings will cover housing costs



Source: Citizens Advice Cymru/Shelter Cymru Base: 388

Higher proportions of young people, those aged 45-54 and people from social grades C2DE (generally lower income groups) would be unable to maintain housing payments for more than a month (31 per cent; 28 per cent and 25 per cent respectively). Private renters would also be most likely to struggle beyond a month (29 per cent)[6].

[5] http://www.legalandgeneral.com/library/protection/sales-aid/W13612.pdf
[6] Due to the small sample size for this question we're not able to analyse the results for social tenants.

Payday Lending

The difficulties in paying rent or mortgage costs and the lack of savings products may be leading to an increase in the use of credit. Citizens Advice Bureaux in Wales dealt with nearly 136,000[7] issues relating to debt in the year 2012/2013.

One form of credit which is becoming increasingly popular is pay day loans. In the last four years the Citizens Advice service has seen a ten-fold increase in the proportion of clients with multiple debts which included a payday loan debt. Bureaux in Wales saw a five-fold increase in the period January to March 2013 compared to the same quarter in 2012. Citizens Advice evidence[8] highlights that many pay day lenders are failing to treat customers fairly and irresponsible lending practices are commonplace

The findings of this research also indicate a growing reliance on high cost credit. Whilst the overall figures are not high it is worrying to note that 6 per cent of Welsh adults have either taken out or have considered taking out a payday loan to help them meet living expenses.

Table 1: Respondents were asked to pick the statement that BEST applies to them:

I have taken out more than one payday loan in the last year to help meet living expenses	2%
I have taken out one payday loan in the last year to help meet living expenses	2%
I have not taken out a payday loan in the last year to help meet living expenses, but I have considered it in the last year	1%
I have not considered taking out a payday loan to help meet living expenses in the last year, but I have considered it prior to that	1%
I have never considered taking out a payday loan to help meet living expenses	92%
Don't know	1%

Source: Citizens Advice Cymru/Shelter Cymru Base: 1,009

There is also considerable variation amongst age groups and across housing tenures. One in six (17 per cent) 18-24 year olds in Wales have at least considered using payday loans, with just over one in ten young people (11 per cent) having taken out a payday loan in the last year. Above average proportions of 35-54 year olds (7 per cent) had also turned to a payday lender during the 12 months prior to the survey, compared to no-one in the 55+ age group.

More people with children in the household and those living in rented accommodation (both social and private renters) have also used this form of credit in the last year (compared to people with no children in the household or owner occupiers (with or without a mortgage).

[7] Citizens Advice Cymru Annual review 2012-13, http://www.citizensadvice.org.uk/index/aboutus/publications/annualreports/citizens_advice_cymru_annual_review.htm,actual figure135,988

[8] http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_20131105.htm

Conclusion

It is fundamental that people in Wales feel secure in their homes. This is not only critical for overall health and well-being but also in allowing them to participate fully in society and wider community activities including education, training, employment and social activities.

Our research highlights the daily struggle many households in Wales are facing to keep up with housing payments and the concern they have for their future financial stability, particularly if they experience changes to their income such as losing a job or benefit reductions. The fact over a quarter of working households lack any financial safety net, including savings, to continue housing payments if they were to lose their main source of income is especially worrying. Equally concerning is the apparent growing reliance on high cost credit to help meet living expenses, particularly amongst the young.

It is clear from the results that during such uncertain times it is more critical than ever for people in financial difficulties and/or those struggling to pay essential bills to have access to the right support and advice they may need to prevent their situation spiralling out of control and potentially losing their home.

We would, therefore, make the following recommendations for action by the Welsh Government and local authorities in Wales.

Recommendations

- Ensure when reviewing future support for Council Tax Reduction in Wales that fairness and equality remains central to any proposed scheme(s) and that help is directed at those in most need of support as opposed to protecting particular groups. We would support a single national scheme to ensure fairness and consistency in approach across Wales;
- We urge all local authorities in Wales to disregard disability benefits such as Disability Living Allowance and Personal Independence Payments when assessing a claimants income during the application process for a Discretionary Housing Payment (DHP);
- We welcome the new holistic approach proposed for the future allocation of DHPs in Wales which would look at a household's overall circumstances and thereby direct them to other sources of help and support where they are available. In doing so it will be critical to ensure that person-centred values are central to any support package and an unwillingness to accept further support should not jeopardise their eligibility for a DHP;
- We urge local authorities in Wales to take steps to prevent the advertising of payday loans at locations they are responsible for and support Citizens Advice's current call for the Financial Conduct Authority (FCA) to curtail the current advertising of Payday Lenders;
- In light of rising demand for advice services, due to the current economic situation and changes to the benefits system, we welcome the support the Welsh Government has given to date to help alleviate the funding shortfall following cuts to local government budgets and the loss of Legal Aid in many areas of social welfare law. We look forward to continuing to work with the Welsh Government and others in taking forward the recommendations of the Advice Services Review to ensure households across Wales are able to continue to access free and timely independent advice on debt and housing issues as well as income maximisation programmes.

The survey was carried out by YouGov. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1009 adults. Fieldwork was undertaken between 16th - 18th July 2013. The survey was carried out online. The figures have been weighted and are representative of all Welsh adults (aged 18+).